

MINUTES OF THE HOUSE KANSAS 2000 SELECT COMMITTEE.

The meeting was called to order by Chairperson Kenny Wilk at 1:45 p.m. on February 2, 2000 in Room 526-S of the Capitol.

All members were present except: Representative Susan Wagle - excused

Committee staff present: Alan Conroy, Legislative Research Department
Julian Efird, Legislative Research Department
Gordon Self, Revisor of Statutes
Jim Wilson, Revisor of Statutes
Janet Mosser, Committee Secretary

Conferees appearing before the committee:

Representative Tim Carmody
Representative Phill Kline
Bob Corkins, Kansas Public Policy Institute
Ron Gaches, Fidelity Investment Company
John Cleland, Security Benefit Group
Dan Hermes, Office of the Governor
Andy Sanchez, Kansas Association of Public Employees
Keith Haxton, State Employees Association of Kansas (written)
Jerry Boettcher, Vice-Chair, Board of Trustees, Kansas Public Employees Retirement System
Pat Beckham, Milliman and Robertson

Others attending: See attached list.

Chairperson Wilk opened the hearing on **HB 2718 - Defined contribution plan for state employees.**

The Division of the Budget letter on the status of the fiscal note was distributed.

Chairperson Wilk recognized Representative Tim Carmody, sponsor and proponent, to address the committee (Attachment 1). Representative Carmody began his testimony but, due to the length of the testimony and the number of conferees scheduled to testify, Representative Carmody yielded to other conferees and agreed to complete his testimony at a later date.

Representative Phill Kline, sponsor and proponent, was recognized to address the committee (Attachment 2).

Bob Corkins, Kansas Public Policy Institute, proponent, was recognized to address the committee (Attachment 3).

Ron Gaches, Fidelity Investment Company, proponent, was recognized to address the committee (Attachment 4).

John Cleland, Security Benefit Group, proponent, was recognized to address the committee (Attachment 5).

Dan Hermes, Office of the Governor, proponent, was recognized to address the committee and expressed the Governor's support for developing a defined contribution plan as a retirement option for state employees (Attachment 6).

Andy Sanchez, Kansas Association of Public Employees, opponent, was recognized to address the committee (Attachment 7).

CONTINUATION SHEET

Keith Haxton, State Employees Association of Kansas, opponent, submitted written testimony (Attachment 8).

Jerry Boettcher, Vice-Chair, Board of Trustees, Kansas Public Employees Retirement System, neutral, was recognized to address the committee. Mr. Boettcher explained his educational and professional background and experience. He made several observations on the current debate including: the importance of fees, minimizing fees with every opportunity, and determining exactly what is being paid and by whom; the need for extensive employee education and identification of who is responsible for the education; fiduciary responsibilities and who is responsible; complexity of monitoring and reporting requirements; the need to study and evaluate the pitfalls of converting from a defined benefit to a defined contribution plan (e.g., compliance and taxation, and financial industry consolidation); the need to be as specific as possible and try to do correct the first time. In his opinion, a choice should be offered and consideration should be given to: a match if a defined contribution plan is adopted, a lump sum retirement option, shortening the vesting period, and how to address the unfunded liability.

Pat Beecham, actuary, Milliamp and Robertson, neutral, were recognized to address the committee. She encouraged the committee to study the issue thoroughly including cost ramifications and basic plan design issues. There is a fundamental difference going entirely from a defined benefit to a defined contribution plan and there should be recognition that if more is given to one group it is being taken from somewhere else. She expressed her concern that the cost impact of the change has not been studied. The GRS report dealt with the short-term impact of all new employees going into a defined contribution plan but did not deal with the impact of allowing members to elect out of the current plan and go into the defined contribution plan. If employees are allowed to elect out of the defined benefit plan and into the defined contribution plan, one can expect employees to make decisions that are in their best financial interest. When that happens, it's going to cost more money. She felt there would be value in doing some modeling. She concluded by again encouraging the committee to study the issue further.

Questions and discussion followed testimony. Jack Hawn, Deputy Executive Secretary, Kansas Public Employees Retirement System, was recognized and assisted in answering questions.

Chairperson Wilk recessed the hearing on **HB 2718**.

Chairperson Wilk adjourned the meeting at 3:37 p.m.

The next meeting is scheduled for February 3, 2000.